PUBLIC DISCLOSURE

November 3, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

FLORENCE SAVINGS BANK

CERT # 23293

85 MAIN STREET

FLORENCE, MA 01062

Division of Banks
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NOTE:	This document is an evaluation of the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") and the Federal Deposit Insurance Corporation ("FDIC") to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the credit needs of its community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Florence Savings Bank (or "the Bank")**, prepared by the Division and the FDIC, the institution's supervisory agencies, as of **November 3, 2014**. The agencies evaluate performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The Division and FDIC rate the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00 and in Appendix A to 12 CFR Part 345.

INSTITUTION'S CRA RATING:

This institution is rated "High Satisfactory" by the Division and "Satisfactory" by the FDIC. Please note the FDIC's rating matrix does not provide for a "High Satisfactory" rating; however, the FDIC and the Division agree on the Bank's overall performance levels.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The assigned rating is based on the results of two performance tests: the Lending Test and the Community Development Test. The Bank's performance under each of these two tests is summarized below:

Lending Test: "High Satisfactory" by the Division and "Satisfactory" by the FDIC

- The Bank's net loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- A majority of loans and other lending related activities are in the Bank's assessment area.
- The geographic distribution of the Bank's loans reflects good dispersion throughout the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

Community Development Test: "High Satisfactory" by the Division and "Satisfactory" by the FDIC

The institution demonstrated adequate responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services, as appropriate. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area.

SCOPE OF THE EXAMINATION

Intermediate Small Institution CRA Examination Procedures were utilized for the evaluation. These procedures utilize two performance tests: the Lending Test and the Community Development Test. This evaluation considered the Bank's lending and community development activities for the period of June 28, 2011 through November 3, 2014. The data and applicable timeframes for the Lending Test and the Community Development Test are discussed below.

The Bank is primarily a real estate secured lender. This is reflected in the Bank's most recent Consolidated Report of Condition and Income (Call Report) as of September 30, 2014, which shows that 95.7 percent of the Bank's loan portfolio is secured by real estate. Small farms loans and consumer loans were not analyzed during this evaluation, as these loans constitute a very small portion of the Bank's loan portfolio and recent lending activity.

The Lending Test focused on home mortgage and small business lending. Greater emphasis was placed on the Bank's home mortgage lending performance, as it was the Bank's primary lending focus throughout the evaluation period based on number of originations. The evaluation considered home mortgage lending data from 2013 and the first six months of 2014 (2014 YTD). Information related to home mortgage lending was derived from the Bank's Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). The LARs contain data about home purchase and home improvement loans, including refinances of one-to-four family and multifamily (five or more units) properties.

The agencies compared the Bank's home mortgage lending performance to aggregate lending data within the Bank's assessment area. Aggregate lending data reflects the lending activity of all HMDA reporting lenders. The evaluation emphasized the Bank's home mortgage lending performance in 2013, as this is the most recent year for which aggregate lending data is available. The Bank's home mortgage lending performance was also compared with demographic data. The Lending Test discusses home mortgage lending for 2014 YTD for trend purposes.

The CRA defines small business loans as commercial real estate loans and commercial and industrial loans with original balances of $1 million or less. As an intermediate small bank, the Bank is not required to collect and report small business loan data; however, the Bank opted to collect and report this loan data on a CRA Loan Register (LR). Aggregate small business loan data includes loans reported by all lenders required to report under the CRA, as well as those who opt to report the information. The Bank's small business lending was compared to 2013 aggregate data and pertinent demographic information.

The Community Development Test included an analysis of the Bank's qualified community development loans, investments, and services from June 28, 2011 through November 3, 2014. Qualified community development grants and donations for the same period were also included.

Demographic information is from the 2010 United States (U.S.) Census unless otherwise noted. Financial data was derived from the September 30, 2014 Call Report.

PERFORMANCE CONTEXT

Description of Institution

Florence Savings Bank was established in 1873 as a Massachusetts chartered mutual savings bank. Florence Bancorp, MHC, a state chartered mutual holding company, is also headquartered in Florence and is the sole stockholder of Florence Savings Bank. In addition to its main office, the Bank operates eight full-service branch offices located in Amherst, Belchertown, Easthampton, Granby, Hadley, Northampton (2), and Williamsburg. The Bank operates a commercial loan production office in West Springfield and a residential loan production office in Greenfield; both offices are available by appointment only and are located in moderate-income census tracts. There are no branches located in low- or moderate-income census tracts. Three branches are located in middle-income census tracts, five branches are located in upper-income census tracts, and one is located in a census tract with no income designation. There are 16 automated teller machines (ATMs) distributed among the nine branch offices as well as 11 remote ATMs. Of the 27 ATM locations, 22 are deposit taking. The Bank has not opened or closed any branches since the previous examination.

The Bank is a full-service financial institution that offers multiple products and services. Loan products include fixed- and adjustable-rate mortgages, a first-time homebuyers mortgage program, construction loans, and home equity lines of credit. The Bank also offers commercial real estate loans, construction mortgages, term notes, line and letters of credit, and SBA loans. Deposit products and services include checking accounts, savings accounts, money market accounts, certificates of deposit, and VISA debit cards. Services for businesses include business debit cards, merchant services, wire transfers and business online security. Other services include e-statements, mobile banking, 24-hour access line, and online banking with free bill pay.

As of September 30, 2014, the Bank had total assets of $1.1 billion and total deposits of $878 million. Total loans were $821 million and represented 76.4 percent of total assets. Since the last CRA evaluation, the Bank's assets have decreased 0.1 percent, net loans have increased 22.6 percent, and deposits have grown 9.0 percent. The decrease in securities offset the increase in loans during the review period.

As mentioned previously, the Bank is primarily a real estate lender with a majority of the loan portfolio secured by residential properties. Table 1 illustrates the current distribution of the Bank's loan portfolio.

Table 1 – Loan Portfolio Distribution as of September 30, 2014		
Loan Type	**Dollar Amount $(000)**	**Percent of Total Loans (%)**
Loan Type		
Construction, Land Development, and Other Land Loans	19,730	2.4
Secured by Farmland	283	0.1
1-4 Family Residential	593,184	72.3
Multifamily	37,306	4.5
Commercial	134,698	16.4
Total Real Estate Loans	**785,201**	**95.7**
Agricultural and others loans to farmers	8	0.0
Commercial and Industrial	34,854	4.2
Consumer	456	0.1
Other	254	0.0
Total Loans	**820,773**	**100.0**

Source: September 30, 2014 Call Report

The Bank sells loans in the secondary market to Freddie Mac and MassHousing. During the period reviewed, the Bank sold 597 loans totaling $120.3 million. The Bank is a member of the Federal Home Loan Bank system and borrows funds to support additional loan commitments.

The Division and the FDIC last evaluated the Bank's CRA performance using Large Bank procedures as of June 27, 2011, resulting in a rating of "Satisfactory" by FDIC and "High Satisfactory" by the Division. There are no apparent financial or legal impediments that would limit the Bank's ability to help meet the credit needs of its assessment area.

<u>Description of Assessment Area</u>

The CRA requires that a financial institution define an assessment area or areas within which it will concentrate its lending efforts, and within which its record of helping to meet the needs of its community will be evaluated. The currently defined assessment area meets the technical requirements of the CRA since it (1) consists of one or more political subdivisions; (2) includes geographies where the Bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the Bank originated a substantial portion of its loans; (3) consists of whole census tracts; (4) does not reflect illegal discrimination; and (5) does not arbitrarily exclude low- and moderate-income areas.

The Bank's assessment area consists of 32 cities and towns located in Hampshire and Franklin Counties. The following cities and towns are in Hampshire County: Amherst, Belchertown, Chesterfield, Cummington, Easthampton, Goshen, Granby, Hadley, Hatfield, Huntington, Middlefield, Northampton, Pelham, Plainfield, South Hadley, Southampton, Ware, Westhampton, Williamsburg and Worthington. Franklin County includes: Ashfield, Buckland, Conway, Deerfield, Greenfield, Leverett, Montague, New Salem, Shelburne, Shutesbury, Sunderland and Whately. Hampshire and Franklin County are located in the Springfield Metropolitan Statistical Area (MSA).

The evaluation considers demographic data in the assessment area to analyze the Bank's lending performance. Refer to Table 2 for pertinent demographic information.

Table 2 – Assessment Area Demographic Information						
Demographic Characteristics	**#**	**Low % of #**	**Moderate % of #**	**Middle % of #**	**Upper % of #**	**NA % of #**
Geographies (Census Tracts)	48	2.1	10.4	45.8	37.5	4.2
Population by Geography	206,319	5.8	9.1	42.1	41.6	1.4
Owner-Occupied Housing by Geography	53,539	< 0.1	6.0	47.6	46.4	0.0
Distribution of Families by Income Level	47,262	16.4	15.1	19.4	49.1	0.0
Businesses by Geography	17,274	1.6	12.5	45.4	40.0	0.5
Median Family Income (MFI) *2010 U.S. Census Data*		$77,542	Median Housing Value		$262,952	
2013 FFIEC Updated MFI		$66,100	Unemployment Rate (2013)		7.1%	
Families Below Poverty Level		7.0%				

Source: 2010 U.S. Census Data; 2013 D&B Data, 2013 FFIEC-Updated MFI, Bureau of Labor Statistics

Economic and Demographic Data

The Bank's assessment area consists of 48 census tracts, of which 1 is low-income, 5 are moderate-income, 22 are middle-income, 18 are upper-income, and 2 have no income designation. The one low-income census tract is located in Amherst, and the five moderate-income census tracts are located in Greenfield (2), Montague, Northampton and Ware. The two census tracts with no income designation are located in Amherst, where Amherst College is situated.

The assessment area consists of 84,611 total housing units, of which 53,539 or 63.3 percent are owner-occupied, 25,893 or 30.6 percent are rental units, and 5,179 or 6.1 percent are vacant units. Of total owner-occupied housing units, only 10 are in the low-income census tract and 3,192 or 6.0 percent are in moderate-income census tracts. The median housing value in 2010 was $262,952, and the median age of the housing stock was 50 years. The distribution of low-income families is 16.4 percent and the distribution of moderate-income families is 15.1 percent. Seven percent of families in the assessment area have incomes below the poverty level.

The 2013 business demographic data shows that there are 17,274 businesses in the assessment area, of which 72.5 percent have gross annual revenues of $1 million or less, 3.8 percent have gross annual revenues greater than $1 million, and the remaining 23.7 percent have unknown revenues. Of total businesses in the assessment area, 1.6 percent are in the low-income census tract, 12.5 percent are in moderate-income census tracts, 45.4 percent are in middle-income tracts, and 40.0 percent are in upper-income tracts. The highest proportion of business is in the services industry (47.1 percent). Non-classifiable establishments (12.0 percent), retail trade (11.9 percent) and construction (7.6 percent) represent the next highest share of businesses. In terms of employees, approximately 66.7 percent of the area's businesses employ four or fewer people. Included among the largest employers in the assessment area are C&S Wholesale Grocers, Inc., Cooley Dickinson Hospital, Yankee Candle and Amherst College.

The unemployment rate statewide for Massachusetts was 7.1 percent as of December 2013 according to the Bureau of Labor Statistics. This represents an increase from the 2012 annual rate of 6.8 percent. The annual unemployment rate for 2013 was 6.1 percent for Hampshire

County and 6.6 percent for Franklin County, reflecting a lower unemployment rate for the Bank's area compared to that of Massachusetts as a whole.

Competition

The Bank faces strong competition from other financial institutions that originated loans within the assessment area. These institutions range in size from small credit unions and mortgage companies with single office locations to the largest banks in New England. Among the more prominent lenders competing with the Bank is Easthampton Savings Bank, Country Bank for Savings, Greenfield Savings Bank, and Peoples Bank. The 2013 aggregate lending data shows that 228 lenders originated 6,709 residential mortgage loans in the Bank's assessment area. Florence Savings Bank ranked first with a 12.7 percent market share. Easthampton Savings Bank ranked second with a 9.2 percent market share, followed by Greenfield Savings Bank with a 5.9 percent market share of home mortgage loans.

According to 2013 small business aggregate data, 46 lenders originated or purchased one or more small business loans in the Bank's assessment area. Florence Savings Bank ranked 11th with a market share of 3.5 percent. The top three small business lenders in the assessment area were American Express with an 18.1 percent market share, Citibank with an 11.1 percent market share, and FIA Card Services with an 8.9 percent market share. The market share data includes several large credit card lenders that originate and report a high volume of small dollar credit card loans for business purposes; Florence Savings Bank does not offer this product.

Community Contact

As part of the evaluation process, third parties active in the assessment area are contacted to assist in assessing the credit and community development needs of the community. The information obtained helps to determine whether local financial institutions are responsive to the credit and community development needs of the communities, and what credit and community development opportunities, if any, are available.

A community contact was conducted with a non-profit organization whose mission is to provide affordable housing opportunities, education and support to enable urban development. The contact expressed concern about limited residential development, population decreasing, a widening income gap, and the middle-class moving out of the area. There is significant demand for rental housing with a limited supply of rental units. According to the contact, local community banks and national banks have provided financial literacy classes, homebuyer workshops, and donations. Overall, the contact was pleased with the responsiveness of local community banks to the area's credit needs.

Assessment Area Credit Needs

Based on information obtained from the community contact and Bank management, as well as demographic and economic data, the credit and community development needs of the Bank's assessment area are similar to those of many other metropolitan areas. The assessment area needs continued support for affordable housing, particularly rental units. Individuals and businesses in the assessment area have several credit needs. These include retail loan products to meet personal needs and home financing programs for the purchase, construction, improvement, or refinance of residential real estate. The area's business base also requires numerous commercial credit options to meet a wide variety of financing purposes.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LENDING TEST

The Lending Test evaluates the Bank's record of meeting the credit needs of its assessment area through its home mortgage and small business lending. The institution's lending performance was evaluated pursuant to the following criteria: 1) the average net loan-to-deposit (LTD) ratio since the previous evaluation; 2) the concentration of lending within the assessment area; 3) the dispersion of loans to borrowers and small businesses in low-, moderate-, middle- and upper-income geographies; 4) the distribution of loans among borrowers of low-, moderate-, middle- and upper-income levels and businesses of different revenue sizes; and 5) the response to CRA complaints.

The Bank's overall performance with respect to the Lending Test is good. The following sections discuss the analysis and conclusions regarding the Bank's performance under each criterion.

NET LOAN-TO-DEPOSIT RATIO

This performance criterion determines what percentage of the Bank's deposit base is reinvested in the form of loans and evaluates its appropriateness. The average net loan-to-deposit ratio is a measure of the institution's loans with respect to deposits. The ratio is based on total loans, net of unearned income and net of the allowance for loan and lease losses, as a percentage of total deposits. The average net loan-to-deposit (LTD) ratio since the previous evaluation is reasonable given the institution's size, financial condition, and assessment area credit needs.

The Bank's net LTD ratio, as calculated from Call Report data, averaged 86.2 percent over the past 14 calendar quarters from June 30, 2011 to September 30, 2014. The ratio ranged from a low of 80.1 percent as of June 30, 2012, to a high of 92.9 percent as of September 30, 2014, having remained generally stable during the evaluation period. The Bank maintained a similar ratio to those of comparable institutions, as shown in the following table. The institutions were selected based on their asset size, geographic location, and loan portfolio composition.

Table 3 – Loan-to-Deposit Ratio Comparison

Institution	Total Assets $(000s)	Average LTD Ratio (%)
Greenfield Savings Bank	685,895	98.3
Country Bank for Savings	1,394,906	90.1
Florence Savings Bank	**1,074,211**	**86.2**
Easthampton Savings Bank	1,020,742	85.5

Source: 6/30/2011 to 9/30/2014 Call Report Data

ASSESSMENT AREA CONCENTRATION

This performance criterion evaluates the concentration of the Bank's loans within its assessment area. The analysis included both home mortgage and small business lending. A majority of the Bank's lending activity occurred within the assessment area. Table 4 shows the distribution of home mortgage and small business loans inside and outside the assessment area by number and dollar amount over the period reviewed.

Table 4 – Assessment Area Concentration										
Loan Category	**Number of Loans**					**Dollar Amount of Loans $(000s)**				
	Inside Assessment Area		**Outside Assessment Area**		**Total #**	**Inside Assessment Area**		**Outside Assessment Area**		**Total $(000s)**
	#	**%**	**#**	**%**		**$(000s)**	**%**	**$(000s)**	**%**	
Home Mortgage										
2013	850	86.5	133	13.5	983	161,345	86.8	24,641	13.2	185,986
2014 YTD	150	83.8	29	16.2	179	30,632	84.3	5,708	15.7	36,340
Total	1,000	86.1	162	13.9	1,162	191,977	86.3	30,349	13.7	222,326
Small Business										
2013	109	82.6	23	17.4	132	11,791	63.7	6,717	36.3	18,508
2014 YTD	41	87.2	6	12.8	47	6,447	83.8	1,248	16.2	7,695
Total	150	83.8	29	16.2	179	18,238	69.6	7,965	30.4	26,203
Total	**1,150**	**85.8**	**191**	**14.2**	**1,341**	**210,215**	**84.6**	**38,314**	**15.4**	**248,529**

Source: 2013 and YTD 2014 HMDA LARs and CRA LRs

GEOGRAPHIC DISTRIBUTION

The geographic distribution of loans was reviewed to determine the dispersion of the Bank's loans throughout the assessment area. This performance criterion particularly focuses on the distribution of lending in the area's low- and moderate-income census tracts. Considering assessment area demographics, aggregate data, and performance context factors, the distribution of home mortgage and small business loans reflects good dispersion throughout the assessment area.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects good dispersion in the assessment area. Examiners analyzed the percentage of loans in each census tract income category and compared it to the aggregate data and the percentage of total owner-occupied housing units by census tract income category.

As mentioned previously, the one low-income census tract is located in Amherst and consists of only 10 owner-occupied housing units, which is less than 0.1 percent of total owner-occupied units significantly limits the opportunity to make a home mortgage loan in this geography. As a result, the analysis of home mortgage lending in low-income tracts did not affect conclusions under this criterion.

Lending opportunities in the moderate-income census tracts are also limited, as only 6.0 percent of owner-occupied units located in these census tracts. As shown in Table 5, the Bank's 2013 performance exceeded the aggregate and was similar to demographics.

Table 5 – Geographic Distribution of Home Mortgage Loans				
Census Tract Income Level	**Owner-Occupied Housing Units (% of #)**	**2013 Aggregate Data (% of #)**	**2013 Bank Data**	
			#	**%**
Low	0.0	0.0	0	0.0
Moderate	6.0	5.2	50	5.9
Middle	47.6	45.9	355	41.8
Upper	46.4	48.9	445	52.3
N/A	0.0	0.0	0	0.0
Total	**100.0**	**100.0**	**850**	**100.0**

Source: 2010 U.S. Census Data, 2013 Aggregate Data and 2013 HMDA LAR

Market share data for 2013 show there were 357 originated loans in moderate-income census tracts. The Bank ranked first with 50 loans and a market share of 14.0 percent. Greenfield Savings Bank ranked second with 42 loans and a market share of 11.8 percent, followed by Greenfield Co-operative Bank with 36 loans and a market share of 10.1 percent.

In 2014 YTD, the percentage of loans in all tract income levels was similar to the Bank's 2013 lending performance, with most loans originated in upper-income (51.4 percent) and middle-income (45.3 percent) census tracts. There Bank originated no loans in the low-income tract and 5 loans or 3.3 percent in the moderate-income tracts.

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. Table 6 shows that the percentage of Bank loans in the low-income tract exceeded aggregate lending. The Bank's percentage was also higher than the ratio of businesses in this geography. The Bank's performance in moderate-income tracts was less than aggregate lending and the percentage of businesses in these geographies.

Table 6 – Geographic Distribution of Small Business Loans				
Census Tract Income Level	**2013 Businesses (% of #)**	**2013 Aggregate Data (% of #)**	**2013 Bank Data**	
			#	**%**
Low	1.6	0.5	2	1.8
Moderate	12.5	10.0	7	6.4
Middle	45.4	49.9	45	41.3
Upper	40.0	37.6	55	50.5
N/A	0.5	2.0	0	0.0
Total	**100.0**	**100.0**	**109**	**100.0**

Source: 2013 D&B Data, 2013 Aggregate Data, 2013 CRA LRs

In 2014 YTD, the Bank's lending was generally consistent with 2013, as most loans were in upper- (51.9 percent) and middle-income (33.3 percent) census tracts. The Bank increased its lending in low- (2.4 percent) and moderate-income tracts (7.3 percent) compared to 2013.

BORROWER PROFILE

This performance criterion evaluates the distribution of the Bank's residential and small business loans based on borrower characteristics. Analyses were conducted of the Bank's residential mortgage loans inside the assessment area based on borrower income and the Bank's small business loans inside the assessment area based on business revenues. For residential lending, emphasis is placed on loans to low- and moderate-income borrowers, and for small business lending, emphasis is placed on loans to businesses with gross annual revenues (GARs) of $1 million or less. The Bank's lending reflects reasonable penetration among individuals of different income levels and businesses of different revenue sizes.

Home Mortgage Loans

The distribution of home mortgage loans reflects reasonable penetration among individuals of different income levels. As reflected in Table 7, the Bank's distribution of loans to low-income borrowers in 2013 was below the aggregate's distribution. Both Bank and aggregate lending to low-income borrowers were significantly lower than the percentage of low-income families (16.4 percent) in the assessment area; however, a significant portion of these families would likely not qualify for a home mortgage loan as 7.0 percent of all families have incomes below the poverty level.

The Bank originated 13.8 percent of loans to moderate-income borrowers in 2013, which was slightly lower than aggregate performance and the percentage of moderate-income families in the assessment area.

Table 7 – Borrower Profile of Home Mortgage Loans

Borrower Income Level	Families (% of #)	2013 Aggregate Data (% of #)	2013 Bank Data	
			#	%
Low	16.4	4.3	23	2.7
Moderate	15.1	14.5	117	13.8
Middle	19.4	24.9	212	24.9
Upper	49.1	46.6	473	55.7
N/A	0.0	9.7	25	2.9
Total	**100.0**	**100.0**	**850**	**100.0**

Source: 2010 U.S. Census Data, 2013 Aggregate Data and 2013 HMDA LARs

Market share data also supports the Bank's performance under this criterion. In 2012 and 2013, the Bank ranked first in lending to low-income borrowers with 13.2 percent and 8.4 percent market shares, respectively. It also ranked first in lending to moderate-income borrowers for both years with 10.2 percent and 12.1 percent market shares, respectively. For 2013, the Bank's 117 loans to moderate-income borrowers far exceeded the next highest lender; Easthampton Savings Bank made 71 loans to moderate-income borrowers.

The Bank's distribution of loans in 2014 YTD by borrower income level was comparable to 2013, as upper-income borrowers accounted for the majority of home mortgage loans. Lending increased to low-income borrowers (4.0 percent) but decreased for moderate-income borrowers

(10.7 percent). As mentioned previously, home prices are relatively high for low- and moderate-income borrowers.

The Bank has made positive efforts to address the credit needs of low- and moderate-income borrowers through its product offerings. The Bank offers first-time homebuyer mortgages, the Federal Home Loan Bank of Boston's Equity Builder Program (EBP), and USDA rural development loans. The Bank originates loans through the MassHousing and Freddie Mac loan programs. MassHousing and Freddie Mac offer a variety of loan programs geared toward low- and moderate-income borrowers that feature competitive interest rates and flexible underwriting standards.

Small Business Loans

The distribution of small business loans reflects reasonable distribution among businesses of different sizes. Table 8 shows that 69.7 percent of loans were originated to businesses with GARs of $1 million or less in 2013. This performance significantly exceeded aggregate lending, but was slightly lower than the percentage of business in that size category.

Table 8 – Distribution of Small Business Loans by Revenues

GARs $(000s)	2013 Businesses (% of #)	2013 Aggregate Lending (% of #)	2013 Bank Data	
			#	%
≤ $1,000	72.5	46.9	76	69.7
> $1,000	3.8	53.1	33	30.3
Not Reported	23.7	0.0	0	0.0
Total	**100.0**	**100.0**	**109**	**100.0**

Source: 2013 D&B Data, 2013 Aggregate Data and 2013 CRA LRs

According to 2013 market share reports, the Bank ranked sixth with a 5.3 percent market share of loans originated to businesses with GARs of $1 million or less. American Express (25.1 percent) ranked first, followed by Citibank (16.1 percent) and FIA Card Services (11.1 percent).

In YTD 2014, the Bank originated 65.9 percent of small business loans to businesses with revenues less than or equal to $1 million.

The Bank offers loan programs through the Massachusetts Capital Access Program (Mass CAP) and SBA loans, including the SBA 504 and SBA 7A. These programs offer financing for qualified businesses that may not be eligible for traditional bank financing.

RESPONSE TO CRA COMPLAINTS

The Bank has not received any CRA-related complaints during the evaluation period. As a result, this performance criterion is not applicable.

COMMUNITY DEVELOPMENT TEST

Florence Bank demonstrated adequate responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities.

Community Development Loans

Florence Savings Bank originated 22 community development loans totaling approximately $3.3 million during the evaluation period. This level of activity represents 0.3 percent of average total assets and 0.4 percent of average total loans since the prior CRA evaluation. Of the 22 community development loans, 17 loans totaling $2.7 million were used to create affordable housing and facilitate community services. These loans demonstrate the Bank's responsiveness to the community development needs of its designated assessment area.

The following table illustrates the Bank's community development lending activity by year and by purpose.

Table 9 – Community Development Loans

Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize Or Stabilize		Neighborhood Stabilization Projects		Totals	
	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)	#	$ (000s)
06/27/2011-12/31/2011	3	650	1	108	1	360	0	0	0	0	5	1,118
2012	0	0	5	1,486	0	0	2	125	0	0	7	1,611
2013	1	60	3	121	0	0	1	30	0	0	5	211
2014 YTD	0	0	4	298	1	40	0	0	0	0	5	338
Totals	**4**	**710**	**13**	**2,013**	**2**	**400**	**3**	**155**	**0**	**0**	**22**	**3,278**

Source: Bank records

Below are examples of the Bank's community development loans:

- In 2011, the Bank made a $450,000 commercial mortgage loan secured by a 25-unit property in Amherst, MA. Ten units are available with Section 8 certificates and 8 units are designated as affordable housing for families at or below 80 percent of the median family income for the MSA.

- In 2012, the Bank made five loans totaling approximately $1.5 million to a community services agency. The majority of clients served by the agency have incomes at or below 80 percent of the median family income for the MSA.

- In 2014, the Bank made four loans totaling $298,000 to a community development agency located in a moderate-income census tract. This agency provides employment, education, and living services to local area residents and the majority of clients served by the agency are at or below the poverty level.

Although one loan totaling $108,000 was outside the assessment areas, the loan was to an entity that operated in the broader regional area that includes the Bank's assessment area. As the Bank has been responsive to community development needs and opportunities in its assessment area, examiners considered this loan under the Community Development Test.

Community Development Investments

A qualified investment for the purposes of this evaluation is a lawful investment, deposit, donation, membership share, or grant that has community development as its primary purpose.

The Bank's qualified investments consist of pre-existing equity investments in mortgage-backed securities and a CRA investment fund, as well as donations to various community development organizations. The qualified investments total $2.1 million, which is higher than the Bank's total qualified investment activity during the prior evaluation period ($1.9 million).

The Bank did not make any new qualified equity investments during the current evaluation period. During previous evaluation periods, the Bank invested in several mortgage-backed securities backed by loans to low- or moderate-income homebuyers. The purchase of these securities promotes affordable housing by allowing lenders to sell mortgages on the secondary market and then use those proceeds to originate new mortgage loans. The book value of these securities as of September 30, 2014 was $17,269. While approximately 11.0 percent of the underlying loans benefit borrowers within the Bank's assessment area, all underlying loans were within Massachusetts. This investment qualifies for CRA consideration as it benefits the broader statewide area that includes the Bank's assessment area.

The Bank also continued its investment with CRA Fund Advisors in the CRA Investment Fund. The investment has a book value of $1.5 million as of September 30, 2014. The Fund allocates the Bank's investment to provide funding for discounted loans to low- and moderate-income homebuyers within the State of Massachusetts, including the Bank's assessment area.

The Bank's total equity investments of $1.5 million represent 1.7 percent of the Bank's total investments as of September 30, 2014.

Donations

The Bank made 197 qualified donations totaling $645,432 during the evaluation period, exceeding the prior evaluation total of $422,448. Table 10 below details the Bank's community development donations by community development category.

Table 10 – Qualified Community Development Donations												
Activity Year	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize Or Stabilize**		**Neighborhood Stabilization Projects**		**Totals**	
	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)	#	$(000s)
Prior Period	*15*	*54*	*107*	*267*	*23*	*101*	*0*	*0*	*0*	*0*	***145***	***422***
06/28/11 – 12/31/11	10	53	30	102	9	20	0	0	0	0	**49**	**175**
2012	12	49	39	98	5	7	0	0	0	0	**56**	**154**
2013	10	44	29	68	5	7	0	0	0	0	**44**	**119**
YTD 2014	11	78	31	105	6	14	0	0	0	0	**48**	**197**
Totals	**43**	**224**	**129**	**373**	**25**	**48**	**0**	**0**	**0**	**0**	**197**	**645**

Source: Bank records

The table reflects the Bank's increased support to affordable housing and community development needs. The substantial increase in affordable housing donations compared to the prior period is particularly noteworthy. Below are examples of the Bank's qualified investment activities:

- The Bank donated $124,797 to a multi-service organization providing a wide range of community services to low- and moderate-income assessment area residents.

- The Bank donated $117,500 to an affordable housing and small business development agency that primarily serves low- and moderate-income residents in Amherst, Easthampton, Hadley, and Northampton.

- The Bank donated $84,850 to an agency that provides a wide range of services, including nutritional, clothing, and housing assistance, to low- and moderate-income assessment area residents.

Community Development Services

A community development service has community development as its primary purpose and is related to the provision of financial services. Florence Savings Bank provides community development services through officer and employee involvement in local community development and non-profit organizations in various capacities. Bank personnel provide these organizations with financial and management expertise while serving as directors, committee members, officers, and volunteers.

During the evaluation period, Bank employees provided various financial expertise or technical assistance to 17 different community development-related organizations. The following table illustrates the Bank's community development services by year and purpose.

Table 11 – Community Development Services By Year						
Year	**Total**	**Affordable Housing**	**Community Services**	**Economic Development**	**Revitalization or Stabilization**	**Neighborhood Stabilization**
	#	**#**	**#**	**#**	**#**	**#**
2011	18	2	13	3	0	0
2012	23	3	17	3	0	0
2013	24	3	18	3	0	0
2014	24	3	18	3	0	0
Totals	**89**	**11**	**66**	**12**	**0**	**0**

Source: Bank records

The following examples describe the Bank's notable community development services:

The Bank's President/CEO serves on the Board of Directors of the Western Massachusetts Economic Development Council, which is a non-profit public benefit organization that promotes economic development and job creation and retention within the assessment area.

An Assistant Vice President serves on the Board of Directors and is a Finance Committee Member of Hilltown Community Development Corporation, which provides affordable housing and small business development services for ten communities in Hampshire and Berkshire Counties.

A Vice President serves on the Board of Directors of the Easthampton Economic Development and Industrial Commission (EDIC), which is a non-profit public benefit organization that promotes economic development and job creation and retention within the Bank's assessment area. An Assistant Vice President also serves on the Board of this organization.

A Senior Vice President serves on the Advisory Council for the Money Management Program of Highland Valley Elder Services, which provides an in-home bill payer service and representative payee service targeted towards low- and moderate-income elders within the assessment area.

The Bank partnered with the Valley Community Development Corporation to conduct 40 home-ownership seminars targeted to first-time home buyers, who are primarily low- and moderate-income individuals, since the previous evaluation. Bank representatives educated attendees regarding the home mortgage application process, the various requirements, and available financing options.

Several Bank employees provided free preparation of income tax returns for low- and moderate-income individuals and families at Volunteer Income Tax Assistance (VITA) centers at sites in Greenfield and Northampton during the evaluation period.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

APPENDIX A
Fair Lending Policies and Practices

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106.

The Bank has a written Fair Lending Policy and provides ongoing educational opportunities to employees, members of the Board and management on fair lending regulations. The Bank employs a second review process and will make exceptions to the loan policy.

MINORITY APPLICATION FLOW

The Bank's HMDA LARs for 2013 and 2014 YTD were reviewed to determine if the application flow from the different racial groups within the Bank's assessment area was reflective of the assessment area's demographics.

According to the 2010 U.S. Census Data, the Bank's assessment area contained a total population of 206,319 individuals of which 12.7 percent are minorities. The assessment area's minority and ethnic population is 2.0 percent Black/African American, 3.8 percent Asian, 0.2 percent American Indian, 0.0 percent Hawaiian/Pacific Islander, 4.5 percent Hispanic or Latino and 2.2 percent other.

For 2013, the Bank received 1,087 HMDA reportable loan applications from within its assessment area. Of these applications, 60 or 5.5 percent were received from minority applicants, of which 20 or 33.3 percent resulted in originations. The aggregate received 8,149 HMDA reportable loan applications of which 355 or 4.3 percent were received from minority applicants and 221 or 62.2 percent were originated. For the same time period, the Bank also received 27 or 2.5 percent of applications from ethnic groups of Hispanic origin within its assessment area of which 20 or 74.1 percent were originated versus the aggregate that received 175 applications or 2.2 percent of which 110 or 62.8 percent were originated.

For 2014 YTD, the Bank received 200 HMDA reportable loan applications from within its assessment area. Of these applications, 17 or 8.5 percent were received from minority applicants, of which 13 or 76.5 percent resulted in originations. For the same time period, the Bank also received 6 or 3.0 percent of applications from ethnic groups of Hispanic origin within its assessment area of which 5 or 83.3 percent were originated.

The Bank's level of lending was compared with that of the aggregate's lending performance level for the most recent year that data was available, the year 2013. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants. Refer to Table 12 for information on the Bank's minority application flow as well as the aggregate lenders (excluding the Bank) in the Bank's assessment area.

Table 12 – Minority Application Flow					
RACE	**Bank 2013**		**2013 Aggregate Data**	**Bank 2014 YTD**	
	#	%	%	#	%
American Indian/ Alaska Native	3	0.3	0.2	2	1.0
Asian	21	1.9	1.8	6	3.0
Black/ African American	7	0.6	0.6	1	0.5
Hawaiian/Pacific Islander	1	0.1	0.1	0	0.0
2 or more Minority	1	0.1	0.1	0	0.0
Joint Race (White/Minority)	27	2.5	1.5	8	4.0
Total Minority	**60**	**5.5**	**4.3**	**17**	**8.5**
White	995	91.6	79.4	171	85.5
Race Not Available	32	2.9	16.3	12	6.0
Total	**1,087**	**100.0**	**100.0**	**200**	**100.0**
ETHNICITY					
Hispanic or Latino	**12**	**1.1**	**1.2**	**1**	**0.5**
Not Hispanic or Latino	1,028	94.6	80.2	182	91.0
Joint (Hisp/Lat /Not Hisp/Lat)	**15**	**1.4**	**1.0**	**5**	**2.5**
Ethnicity Not Available	32	2.9	17.6	12	6.0
Total	**1,087**	**100.0**	**100.0**	**200**	**100.0**

Source: US Census 2010, HMDA LAR Data 2013 and YTD2014, HMDA Aggregate Data 2013

The Bank's performance was above the 2013 aggregate's performance level for both minority and ethnic applicants. The Bank received 5.5 percent for minorities while the aggregate was 4.3 percent. The Bank received 2.5 percent while the aggregate received 2.2 percent for ethnic minorities.

The Bank's minority application flow, when compared to the aggregate's lending performance levels and the assessment area demographics, is excellent given the performance of the aggregate and the demographics of the assessment area.

APPENDIX B
Glossary

Affordable Housing: In general, housing for which the occupant pays no more than 30 percent of his income for gross housing costs, including utilities. Some jurisdictions may define affordable housing based on other, locally determined criteria; therefore, this definition serves solely as an approximate guideline or general rule of thumb.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank in accordance with the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county. Census tract boundaries normally follow visible features, but may follow governmental unit boundaries and other non-visible features in some instances; they always nest within counties. Census tracts average about 4,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogenous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Combined Statistical Area (CSA): Two or more adjacent CBSAs that have substantial employment interchange. The CBSAs that combine to create a CSA retain separate identities within the larger CSA.

Community Development: For loans, investments, and services to qualify for consideration as community development activities, their primary purpose must:

(1) Support affordable housing for low- and moderate-income individuals;
(2) Target community services toward low- and moderate-income individuals;
(3) Promote economic development by financing small businesses or farms; or
(4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved non-metropolitan middle-income geographies; or
(5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties located in designated target areas.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community as well as to the financial and marketing needs of the bank. A CDC may purchase, own, rehabilitate, construct, manage and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements, which include: having a primary mission of promoting community development; serving an investment area or target population; providing development services; maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means; and not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that (1) has as its primary purpose community development; and (2) except in the case of a wholesale or limited purpose bank: (i) has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and (ii) benefits the bank's assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s).

Community Development Service: A service that (1) has as its primary purpose community development; (2) is related to the provision of financial services; and (3) has not been considered in the evaluation of the bank's retail banking services under §345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Areas (CBSAs): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

D&B: A provider of business information in the United States and worldwide.

Distressed Middle-Income Non-metropolitan Geographies: A non-metropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers: (1) an unemployment rate of at least 1.5 times the national average; (2) a poverty rate of 20 percent or more; or, (3) a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the five-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Family Income: Includes the income of all members of a family that are age 15 and older.

FFIEC-Adjusted Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: Performance under the applicable tests is analyzed considering performance context, quantitative factors (for example, geographic loan distribution, borrower profile loan distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the income of applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

Home Mortgage Loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans for the purchase of manufactured homes and re-financings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: Performance under the applicable tests is analyzed using only quantitative factors (for example, geographic loan distribution, borrower profile loan distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended, which is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department, through the Internal Revenue Service, distributes low-income housing tax credits to housing credit agencies. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits or sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains in place throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts; one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSAs associated with at least one urbanized area that has a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of geography.

Multi-family: Refers to a residential structure that contains five or more units.

Non-metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Other Products: Includes any unreported optional loan category for which the institution collects and maintains data for consideration during a CRA evaluation. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures, which are sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances; as a result, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments, which often give them partial ownership of those businesses, in the hope of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of $1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of $500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Non-metropolitan Geographies: A non-metropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion that indicate the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

1) Make its most current CRA performance evaluation available to the public;

2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;

3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

   "You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 85 Main Street, Florence, MA 01062".

   [Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.